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## Grant Administration and Payment System (GAPS)

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## OBJECTIVES

By the end of this session, you will be able to:

- ❖ explain the purpose of GAPS,
- ❖ project your cash needs,
- ❖ explain the cash management implications of requesting and drawing down funds, and
- ❖ request funds and adjust drawdowns using GAPS.

## RESOURCES


- ❖ *U.S. Department of Education Payee Guide for the Grant Administration and Payment System (GAPS)*: Outlines procedures for drawing down and managing ED funds and how to navigate through GAPS.
- ❖ Access GAPS at:  
**<http://gapsweb.ed.gov>**

This Web site is updated regularly and houses the latest information on GAPS and any new procedures.

- ❖ *Student Financial Aid Handbook*
- ❖ Federal Regulations 34 CFR 668.162 and 34 CFR 668.166
- ❖ *Direct Loan School Guide*

## A. GRANT ADMINISTRATION AND PAYMENT SYSTEM (GAPS) OVERVIEW

Notes




### ***Education Central Automated Processing System (EDCAPS)***

- ♦ A centralized financial system designed to integrate ED's financial processes of:
  - ▲ financial management,
  - ▲ contracts and purchasing,
  - ▲ grant administration, and
  - ▲ payment management.

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- GAPS provides full financial management support services for the grant cycle in a single system.



### ***Grant Administration and Payment System (GAPS)***

Functions supported include:

- ♦ planning grant awards,
- ♦ obligation of award authorizations,
- ♦ disbursing funds, and
- ♦ final grant closeout.

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### ***Grant Administration and Payment System (cont'd)***

Used to request funds for:

- ♦ Federal Pell Grant Program,
- ♦ Campus-Based Programs (FSEOG, FWS, and Perkins), and
- ♦ Federal Direct Loan Program (Option 2 schools only).

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### ***Grant Administration and Payment System (cont'd)***


- ♦ **Grantee:** Entity that applies for and receives grant or loan award from ED
- ♦ **Payee:** Entity identified by grantee to request and manage ED funds on behalf of grantee

Note: The grantee and the payee may be the same entity or different entities.

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## 1. Award Periods

### Notes



### ***Award Periods***

The four award periods are:

- ♦ performance,
- ♦ liquidation,
- ♦ suspension, and
- ♦ closeout.

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- Performance period is the time schools can request payments, modify payments, and adjust drawdowns for expenditures incurred on the award. However, for the Federal Perkins Loan Program there is an exception: Schools may draw down Federal Perkins Loan funds no later than June 30 of the award year of their authorization.
- During liquidation period, schools may request payment and adjust drawdowns for expenditures incurred during performance period.
- No payment actions can take place during suspension period.
- During closeout any remaining funds are deobligated.
- *The Blue Book*, Section 4.4, page 4-9, contains an example of a program award that illustrates the length of the performance, liquidation, suspension, and closeout periods for Title IV aid purposes.

## B. OVERVIEW OF REQUESTING FUNDS

Notes

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### ***Overview of Cash Management***

Schools must establish and maintain a financial management system that:

- ♦ promotes sound cash management of Title IV funds,
- ♦ minimizes financing cost to government, and
- ♦ minimizes cost for students.

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### ***Overview of Cash Management (cont'd)***

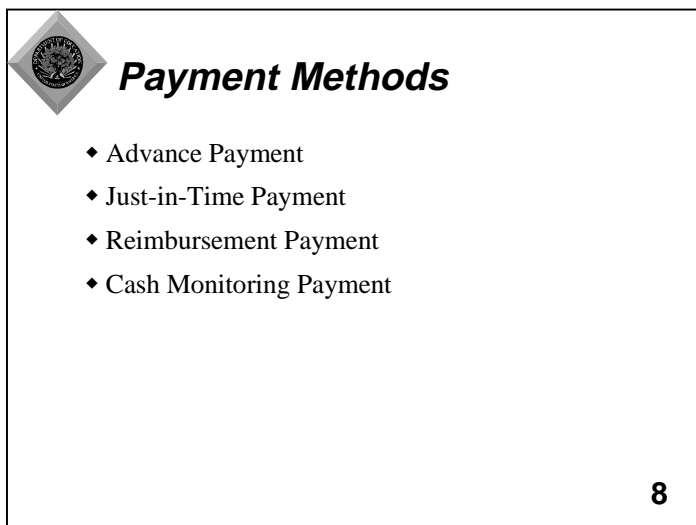
Schools should establish standards and practices to ensure that:

- ♦ requests for funds take into account available funds balance,
- ♦ cash balance covers only immediate need,
- ♦ drawdowns and disbursements of funds are tracked, and
- ♦ school does not spend more funds than authorized.

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## 1. Payment Methods

## Notes



- On page 8 of this Guide is a chart with further details on the four methods below.

### **a. Advance Payment**

- Schools make drawdown requests and receive Title IV funds from ED before paying students.
- Question-and-Answer: How quickly must a school disburse funds once it receives them from ED?
- Additional details on the advance payment method are found in *The Blue Book*, Section 4.4, page 4-11.

### **b. Just-in-Time Payment**

- Available as a pilot for the 1999-2000 academic year in the Federal Pell Grant Program.

### **c. Reimbursement Payment**

- ED may place a school on reimbursement.

### **d. Cash Monitoring Payment**

- ED may place a school on cash monitoring.
- On page 9 of this Guide you will find a quiz on the methods for requesting Title IV funds. Please take a few minutes to complete this quiz.

# METHODS FOR REQUESTING TITLE IV FUNDS

## Advance Payment

Allows schools to receive funds from ED before making disbursements.

- ◆ School submits request for funds to ED.
- ◆ Request for funds cannot exceed amount of funds that the school needs for immediate disbursements to eligible students ("immediate need") and is limited by appropriate authorization levels.
- ◆ On ED's approval, ED generates an electronic funds transfer (EFT) for the amount requested into a bank account designated by the school.
- ◆ School must disburse funds no later than 3 business days following the date it receives those funds, with the exception of those funds that fall into excess cash tolerances.
- ◆ School may pay its students with school funds before receiving funds from ED.

## Just-in-Time Payment

Provides payment to schools immediately on the basis of student data provided to ED by school.

- ◆ Available for the first time in 1999-2000 award year as a pilot project in the Federal Pell Grant program.
- ◆ School will electronically transmit to ED each eligible applicant's program award record with the date and amount of disbursement that the school will make or has made for an applicant.
- ◆ On ED's approval, ED generates an EFT on or before disbursement date reported by school.
- ◆ When school receives funds for each record approved by ED, school may disburse those funds on the basis of its student eligibility determination at the time the school transmitted eligible applicant's record to ED.
- ◆ If, after school requests those funds, an applicant subsequently becomes ineligible for funds received by the school, the school must report the adjustment of a previously accepted record to ED within 30 days of the date that the school becomes aware of the change.
- ◆ The school can then use the funds for another student, but the school must report the transaction to RFMS within 30 days. The school must process a negative disbursement for the ineligible student and an offsetting positive disbursement for the student receiving the funds.

## Reimbursement Payment

Schools are reimbursed by ED for disbursements already made to eligible students and parents.

- ◆ Generally, ED places a school on the reimbursement payment method if it determines there is a need to strictly monitor a school's participation in Title IV aid programs.
- ◆ School must first credit the account or make cash disbursements of its own funds to eligible applicants before the ED regional office that serves the State of the school submits a cash request for the institution. The request covers Federal Pell Grant, campus-based, or Direct Loan funds (if Option 2 school).
- ◆ School must identify students for whom reimbursement is sought and submit documentation that shows each applicant included in request was eligible to receive and was disbursed Title IV funds.
- ◆ Once ED ascertains that the school accurately determined applicant's eligibility for Title IV funds and also submitted appropriate documentation of applicant's eligibility and receipt of Title IV funds, the ED regional office approves the request for reimbursement and submits the request to GAPS.

## Cash Monitoring Payment

Schools must first make disbursements to eligible students and parents before ED will submit a request for payment from ED.

- ◆ Funds are provided through either the advance payment or reimbursement payment method.
- ◆ With advance payment, the request for funds may not exceed the amount of the actual disbursements by the school.
- ◆ Under reimbursement payment method, the documentation requirements and review procedures used by ED to approve the reimbursement request may be modified by ED.
- ◆ Once ED approves the school's request, ED submits the request to GAPS.

# Test Yourself

## Quiz 1

Methods for  
Requesting  
Title IV Funds

Check all boxes that apply.

1. Under the **advance payment method**, a school:

- ☐ A. Must not pay its students before receiving funds from ED.
- ☐ B. Can draw down FFEL funds.
- ☐ C. Must only request funds for its immediate need.
- ☐ D. Must be a participant in the Federal Pell Grant Program.

2. Under the **advance payment method**, schools must disburse funds:

- ☐ A. In three equal installments.
- ☐ B. No later than three business days following the date the school receives the funds.
- ☐ C. After the GAPS account representative contacts the financial aid administrator at the school and approves the disbursement.
- ☐ D. No later than one business day following the date the school receives the funds.

3. If a school is under the **reimbursement payment method**, the school:

- ☐ A. Must wait until the end of the academic year to request funds from ED.
- ☐ B. Is considered to have made a disbursement if it has paid the eligible applicant directly or credited the student's account with its own funds before the ED regional office submits a request for cash.
- ☐ C. Has the option of choosing this method to receive payment of Title IV funds.
- ☐ D. Must identify students for whom reimbursement is sought and submit documentation showing that each student included in the request was eligible to receive and was disbursed Title IV funds.

4. Under the **just-in-time payment method**, a school:

- ☐ A. Is provided payment immediately on the basis of student data provided to ED.
- ☐ B. Will send ED a paper record of each eligible applicant's program award with the date and amount of disbursement.
- ☐ C. Must first make disbursement of Title IV funds before submitting a request for cash.
- ☐ D. Must be a participant in one of the campus-based programs.

## 2. Projecting Cash Needs

Notes

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### ***Electronic Systems to Transfer Funds***

- ♦ Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT)
- ♦ FEDWIRE

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- These systems are described in more detail on page 4-10 of *The Blue Book* and in the *GAPS Payee Guide*.

#### **a. Planning When to Draw Down Cash**



### ***Disbursements***

Disbursements occur when:

- ♦ the school credits a student's account, or
- ♦ the school pays a student directly.

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